

VZCZCXYZ0020
OO RUEHWEB

DE RUEHRK #0233/01 2211614
ZNY CCCCC ZZH
O 091614Z AUG 07
FM AMEMBASSY REYKJAVIK
TO RUEKJCS/SECDEF WASHDC IMMEDIATE
RHMFISS/HQ USAFE RAMSTEIN AB GE IMMEDIATE
INFO RUEHC/SECSTATE WASHDC IMMEDIATE 3401
RUEHZG/NATO EU COLLECTIVE

C O N F I D E N T I A L REYKJAVIK 000233

SIPDIS

SIPDIS

USAFE FOR GENERAL HOBBS
OSD FOR ASD/RA HALL

FROM AMBASSADOR VAN VOORST

E.O. 12958: DECL: 08/09/2017
TAGS: [MOPS](#) [PREL](#) [MARR](#) [PGOV](#) [IC](#)
SUBJECT: ICELAND SCENESETTER FOR EXERCISE NORTHERN VIKING 07 AND
VISIT OF USAFE GEN TOMMY HOBBS AND ASD THOMAS HALL

Classified By: Amb. Carol van Voorst for reasons 1.4 (b) and (d).

¶1. (C) Your visit and NORTHERN VIKING 07 come as Iceland's government gets back to work after summer vacation, with a new governing coalition for the first time in 12 years. The parliamentary election on May 12 strengthened Prime Minister Geir Haarde's mandate to govern. The new Foreign Minister, head of the Social Democratic Alliance, the new junior coalition partner, is wary of us. While clearly uncomfortable with the use of force, she is trying to assert control over defense matters in the government. We have found her open to an exchange of views. Bold initiatives on the use of the former NASKEF facilities have eased public resentment over the closure of the base, and a series of defense activities in Iceland are providing visible reassurance to the public that the U.S. remains committed to Iceland's defense. Your visit and NORTHERN VIKING 07 build on the Washington bilaterals at State and Defense last October, as well as the visit of Under Secretary of State Nick Burns in June of this year. All of this fulfills our Joint Understanding commitment to hold periodic high-level strategic discussions with the Icelanders as well as bilateral military exercises. You will find your hosts more self-assured and more relaxed with us than they were last summer - and with a clearer concept of Iceland's role in NATO's North Atlantic neighborhood.

¶2. (SBU) You arrive three months after elections resulted in a strong new coalition government of PM Haarde's center-right Independence Party and the leftist Social Democratic Alliance (SDA). While the government is still in its shake-down period, the SDA's assumption of six of the twelve cabinet ministries is proceeding relatively smoothly. The Prime Minister -- by a huge margin the most popular politician in Iceland -- remains a calm, pragmatic partner and a personable, witty interlocutor. Although he has returned formal oversight of defense-related issues to the Foreign Ministry, Haarde continues to exert a strong influence on Iceland's foreign policy. Haarde and his Independence Party colleagues are ecstatic to see NORTHERN VIKING 07 taking place, and you can expect him to make this clear during his meeting with you. He may press for your thoughts on future U.S. exercises in Iceland.

¶3. (C) SDA chair Ingibjorg Solrun Gisladdottir -- prickly, turf-conscious, outspoken, always controversial -- is adjusting to the change from opposition leader to Foreign Minister. Gisladdottir has made waves, however, by insisting that the coalition government agreement contain language "regretting" the war in Iraq. She has also noted her general disapproval of the current U.S. administration. Reflecting her perceived need to show some independence from the U.S. on security matters, the FM has waffled on how much public interest she wishes to show in NORTHERN VIKING. Gisladdottir has apparently made a last-minute decision to attend and will accompany you and the Prime Minister to the all hands call and

media events at the former NASKEF site on August 13.

¶4. (SBU) Putting the exercise in broader context, NORTHERN VIKING is the largest demonstration of the continued U.S. defense commitment to Iceland since the closure of NASKEF. It builds on the June 14-18 visit of Standing NATO Maritime Group 1 (SNMG-1) with USS NORMANDY as flagship, and the highly successful visit of the USS WASP last October. We continue the work of wrapping up the remaining post-NASKEF legacy issues. You can expect the Prime Minister to raise the Iceland Air Defense System (IADS), which the USG will stop funding on August 15. Press interest in the IADS handover has been intense, and we will wish to stress that solid bilateral work by USAFE/DOD and the Icelandic Radar Agency and the MFA will ensure that Iceland takes over a functioning air defense system. Equipment transfer and operating costs are a concern for a government that is budgeting for defense for the first time in its history, and are beginning to be aired in the press and discussed in parliament. Similar issues surround NATO Air Policing; progress at NATO has been excellent but questions of how Iceland will foot the bill for quarterly NATO air surveillance operation remain. On both points, the Icelandic government feels public pressure to demonstrate that Iceland's security has not been compromised by the U.S. departure.

¶5. (SBU) In most areas, though, the message of moving on from Cold War-era constructs has taken root. The government has signed MOUs on enhanced defense cooperation with Norway and Denmark, is buying SAR equipment from Canada, and is endeavoring to build more formal security ties with the U.K. and Germany. The Icelanders are taking advantage of the first-rate facilities we left at Keflavik to create a university-level international education institution as well as a technology park. Smaller-scale initiatives are thriving too; an experimental kindergarten with 80 students will open in a former base child care facility on August 15. While making it clear that the U.S. "unilateral" departure still grates on Icelandic sensitivities, Icelandic politicians and citizens are increasingly enthusiastic

about the economic potential of the former base. Meanwhile, the Embassy's initiatives to broaden our ties to Iceland in such areas as trade and direct foreign investment, energy development, and scientific research are well-received by a public skeptical of USG policy but deeply fascinated by the U.S. High-level visits by the U.S. Dept. of Energy and upcoming Congressional Delegations in the week following your visit have reinforced this spirit and will continue to do so.

¶6. (SBU) This vibrancy continues on the economic front, where you'll see ample evidence of a continuing economic boom in Reykjavik, thanks to utilization of fish and energy resources and leveraging of assets to invest abroad. The Viking spirit of risk taking, acquisition, and swift decisiveness have all helped to multiply Icelandic holdings in Europe. The U.S. market is likely the next target, and the business community has pressured the GOI for a free trade agreement with us. The Icelanders know the prospects are slim for the foreseeable future, but you may hear of their abiding interest.

van Voorst